



## Service Retirement Facts

# CONTRIBUTORY PLAN

### EMPLOYEES' RETIREMENT SYSTEM OF THE STATE OF HAWAII

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Honolulu, Hawaii 96813-2980

<http://www4.hawaii.gov/ers>

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This information is available in alternate format. Please call us at 586-1735 for information.

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## **SERVICE AND AGE REQUIREMENTS**

### Service Retirement — Full

- Age 55 with a minimum of 5 or more years of credited service, or
- 25 years of credited service regardless of age and no age reduction if employed for the last five years as a firefighter, police officer, adult corrections officer, investigator of the Department of the Prosecuting Attorney, investigator of the Attorney General's Office, narcotics enforcement investigator, staff investigator of the Department of Public Safety, a water safety officer, or a sewer worker in certain classifications, or
- Graduated retirement regardless of age and no age reduction for emergency medical technicians (Act 199/03) with the following years of credited service (and the last 5) in that capacity:

<u>Years of Service</u>	<u>Retirement Date</u>
27	7/1/2006
26	7/1/2007
25	7/1/2008 and thereafter

### Service Retirement — Early

- Under age 55 with a minimum of 25 years of credited service
- Reduction factor will be 5% for each year below age 55; 4% for each year below age 50; 3% for each year below age 45; and 2% for each year thereafter

### Service Retirement — Vested/Deferred

- Leave government service before age 55 with at least 5 years of service
- Eligible for unreduced benefit at age 55

***Unused sick leave credits cannot be used to meet any service credit eligibility requirements.***

## **SERVICE RETIREMENT BENEFIT FORMULA**

### **2% $\times$ Years of Credited Service $\times$ Average Final Compensation (AFC)**

If the member is eligible for early retirement, pension shall be computed like a full retirement and reduced 5% for each year below 55; 4% for each year below 50; 3% for each year below 45; and 2% for each year thereafter.

If a member has at least ten years of credited service as a firefighter, police officer, adult corrections officer, investigator of the Department of the Prosecuting Attorney, investigator of the Attorney General's Office, narcotics enforcement investigator, staff investigator of the Department of Public Safety, or a water safety officer, the retirement pension is (2 ½ %  $\times$  Years of Credited Service  $\times$  AFC). However, the last five or more years prior to retirement must be credited service in these capacities.

## **AVERAGE FINAL COMPENSATION**

Average Final Compensation (AFC) is the average annual pay or salary including overtime earned by a member during the three highest twelve-month periods of creditable service excluding any lump sum vacation pay. For those employees who were members before January 1, 1971, AFC is the average annual pay or salary earned during the five highest twelve-month periods of creditable service including any lump sum vacation payment.

## **SICK LEAVE CREDIT**

If a member has at least 60 days of unused sick leave at retirement and leaves government service in good standing, the unused sick leave will be converted to additional service credit at the rate of one additional month of service for each 20 days of unused sick leave. Any remaining balance of ten or more days will provide one more month of service credit.

Firefighters, police officers, adult corrections officers, investigators of the Department of the Prosecuting Attorney, investigators of the Attorney General's Office, narcotics enforcement investigators, staff investigators of the Department of Public Safety, and water safety officers can exceed their 80% benefit limitation with unused sick leave credit.

## **HOW TO APPLY FOR RETIREMENT BENEFITS**

Any member who qualifies for service retirement may retire by filing an application with the ERS. Applications are available on the ERS website at <http://www4.hawaii.gov/ers> or by calling the ERS office.

Counseling and assistance in completing the application form are available at the ERS office by appointment. Group filing sessions are scheduled periodically throughout the year.

## **HOW TO APPLY FOR RETIREMENT BENEFITS** *(Continued from page 2)*

Retirement applications must be notarized. Notary services are provided at all ERS locations at no charge. Your retirement date must be the 1<sup>st</sup> of the month except for December when retirement can be either the 1<sup>st</sup> or the 31<sup>st</sup> of the month.

An application may be filed with the ERS office as early as 150 days before but not less than 30 days before the retirement date.

In the event a member dies after filing a retirement application but before the member's retirement date, or if death occurs within one year of retirement, the designated beneficiary may elect to receive the survivor benefit for the option selected by the member, or the ordinary death benefit (lump sum payment or Option Two survivor benefit).

A member is restricted to filing only three service retirement applications. The first two may be cancelled prior to the effective date of retirement, however, withdrawal of the third application is not allowed, and retirement will be mandatory on the date specified in that application.

The ERS must provide written notification of a member's retirement date, option selection, and beneficiary designation to the member's spouse/reciprocal beneficiary.

## **RETIREMENT ESTIMATES**

Members who do not have serious intentions of immediate retirement may use the retirement calculator available on the ERS website which can be found at <http://www4.hawaii.gov/ers> (select Benefits Calculators from the left menu bar). The calculator will provide a reasonably accurate estimate of retirement benefits under all options.

## **POST RETIREMENT INCREASES**

Every retiree's basic retirement pension is increased by 2 ½ % on each July 1<sup>st</sup>, beginning the calendar year after retirement. The 2 ½ % post retirement increase is based on the original retirement pension and is not compounded. This is a cumulative increase without a ceiling.

## **TAXATION OF RETIREMENT BENEFITS**

Retirement pensions are subject to Federal income taxes but are exempt from Hawaii State income taxes. The ERS will provide the necessary tax information by January 31<sup>st</sup> of each year.

## **RETIREMENT OPTIONS**

An option selection should be made at the time the retirement application is filed. **Option changes are only allowed prior to the effective date of retirement.** A member may select to retire under one of the following options:

### ***MAXIMUM ALLOWANCE***

<u>Features</u>	<u>Retiree</u>	<u>Beneficiary</u>
<ul style="list-style-type: none"> <li>• Maximum monthly pension</li> <li>• No refund of contributions</li> <li>• No refund payment to invest and manage</li> </ul>	<ul style="list-style-type: none"> <li>• Highest monthly pension for life</li> </ul>	<ul style="list-style-type: none"> <li>• No lifetime survivor benefit</li> <li>• Receives difference between total contributions and total retirement benefit paid prior to death</li> <li>• Trust, estate, or multiple beneficiaries allowed</li> <li>• Beneficiary changes allowed</li> </ul>

### ***OPTION ONE***

<u>Features</u>	<u>Retiree</u>	<u>Beneficiary</u>
<ul style="list-style-type: none"> <li>• Reduced monthly pension</li> <li>• Insurance Reserve</li> <li>• No refund of contributions</li> <li>• No refund payment to invest and manage</li> </ul>	<ul style="list-style-type: none"> <li>• Reduced monthly pension for life</li> </ul>	<ul style="list-style-type: none"> <li>• Receives difference between insurance reserve and total retirement benefit paid prior to death in a <ul style="list-style-type: none"> <li>– Lump sum, or</li> <li>– Monthly annuity</li> </ul> </li> <li>• NO BENEFIT payable after insurance reserve is depleted (approximately 10 to 12 years after retirement)</li> <li>• Trust, estate, or multiple beneficiaries allowed</li> <li>• Beneficiary changes allowed</li> </ul>

## ***OPTION TWO\****

*\*IMPORTANT NOTICE: Rule changes affecting 100% joint & survivor retirement options with non-spouse beneficiary.*

<u>Features</u>	<u>Retiree</u>	<u>Beneficiary</u>
<ul style="list-style-type: none"> <li>• Reduced monthly pension</li> <li>• No refund of contributions</li> <li>• No refund payment to invest and manage</li> <li>• 100% survivor benefit for one beneficiary</li> <li>• Reduction of retiree's pension based on age difference between retiree and beneficiary at the time of retirement. The younger the beneficiary, the greater the reduction</li> </ul>	<ul style="list-style-type: none"> <li>• Reduced monthly pension for life</li> <li>• Should the beneficiary predecease the retiree, retiree's pension converts to the Maximum Allowance</li> </ul>	<ul style="list-style-type: none"> <li>• Receives SAME monthly benefit as retiree for life even if change in marital status occurs</li> <li>• Continued post retirement increases for life</li> <li>• NO beneficiary changes allowed even if marital status changes or beneficiary dies</li> <li>• Especially suited for beneficiary who is dependent upon retiree's pension and who has little or no other source of income</li> <li>• Beneficiary must be an individual</li> </ul>

## ***OPTION THREE***

<u>Features</u>	<u>Retiree</u>	<u>Beneficiary</u>
<ul style="list-style-type: none"> <li>• Reduced monthly pension</li> <li>• No refund of contributions</li> <li>• No refund payment to invest and manage</li> <li>• 50% survivor benefit for one beneficiary</li> <li>• Reduction of retiree's pension based on age difference between retiree and beneficiary at the time of retirement. The younger the beneficiary, the greater the reduction</li> </ul>	<ul style="list-style-type: none"> <li>• Reduced monthly pension for life</li> <li>• Higher monthly benefit than Option Two</li> <li>• Should the beneficiary predecease the retiree, retiree's pension converts to the Maximum Allowance</li> </ul>	<ul style="list-style-type: none"> <li>• Receives one-half of both monthly benefit and post retirement increases for life even if change in marital status occurs</li> <li>• Continued post retirement increases for life</li> <li>• NO beneficiary changes allowed even if marital status changes or beneficiary dies</li> <li>• Suited for beneficiary who is not totally dependent on retiree's pension and who has other sources of income</li> <li>• Beneficiary must be an individual</li> </ul>

***\*\*NOTE: Option 5 and Options 4 (5 & Maximum), 4 (5 & 1), 4 (5 & 2), and 4 (5 & 3) are only available to members with at least 10 years of credited service excluding sick leave***

### ***OPTION FIVE***

<u>Features</u>	<u>Retiree</u>	<u>Beneficiary</u>
<ul style="list-style-type: none"> <li>• Reduced monthly pension</li> <li>• Possible tax consequences on any contributions in excess of the pre-1987 non-taxable contributions, taxable portion eligible for rollover</li> <li>• Requires wise management and investment of the refund payment to supplement the monthly pension</li> </ul>	<ul style="list-style-type: none"> <li>• Lowest lifetime monthly pension</li> <li>• Refund of all contributions and interest</li> </ul>	<ul style="list-style-type: none"> <li>• No lifetime survivor benefit</li> <li>• Trust, estate, or multiple beneficiaries allowed</li> <li>• Beneficiary changes allowed</li> </ul>

### ***OPTION 4 (5 & Maximum)***

<u>Features</u>	<u>Retiree</u>	<u>Beneficiary</u>
<ul style="list-style-type: none"> <li>• Refund of either the non-taxable (pre-1987 contributions), 50%, or 75% of total contributions</li> <li>• For 50% and 75% refund option, amount in excess of pre-1987 contributions will be taxable and eligible for rollover</li> <li>• Requires wise management and investment of the refund payment to supplement the monthly pension</li> </ul>	<ul style="list-style-type: none"> <li>• Highest lifetime monthly pension with a refund</li> <li>• Reduced monthly pension for life</li> <li>• Refund of partial contributions</li> </ul>	<ul style="list-style-type: none"> <li>• No lifetime survivor benefit</li> <li>• Receives difference between total contributions and any retirement benefit (including refund of contributions) paid prior to death</li> <li>• Trust, estate, or multiple beneficiaries allowed</li> <li>• Beneficiary changes allowed</li> </ul>



### ***OPTION 4 (5 & 1)***

<u>Features</u>	<u>Retiree</u>	<u>Beneficiary</u>
<ul style="list-style-type: none"> <li>• Reduced monthly pension</li> <li>• Insurance Reserve</li> <li>• Refund of either the non-taxable pre-1987 contributions, 50% or 75% of total contributions</li> <li>• For 50% and 75% refund option, amount in excess of pre-1987 contributions will be taxable and eligible for rollover</li> <li>• Requires wise management and investment of refund payment to supplement the monthly pension</li> </ul>	<ul style="list-style-type: none"> <li>• Reduced monthly pension for life</li> <li>• Refund of partial contributions</li> </ul>	<ul style="list-style-type: none"> <li>• Receives difference between insurance reserve and total retirement benefit paid prior to death in a <ul style="list-style-type: none"> <li>– Lump sum, or</li> <li>– Monthly annuity</li> </ul> </li> <li>• NO BENEFIT payable after insurance reserve is depleted (approximately 10 to 12 years after retirement)</li> <li>• Trust, estate, or multiple beneficiaries allowed</li> <li>• Beneficiary changes allowed</li> </ul>

## OPTION 4 (5 & 2)\*

*\*IMPORTANT NOTICE: Rule changes affecting 100% joint & survivor retirement options with non-spouse beneficiary.*

<u>Features</u>	<u>Retiree</u>	<u>Beneficiary</u>
<ul style="list-style-type: none"> <li>• Reduced monthly pension</li> <li>• Refund of non-taxable pre-1987 contributions, 50% or 75% of total contributions</li> <li>• For 50% and 75% refund option, amount in excess of pre-1987 contributions will be taxable and eligible for rollover</li> <li>• Requires wise management and investment of refund payment to supplement the monthly pension</li> <li>• 100% survivor benefit for one beneficiary</li> <li>• Reduction of retiree's pension based on age difference between retiree and beneficiary at the time of retirement. The younger the beneficiary, the greater the reduction</li> </ul>	<ul style="list-style-type: none"> <li>• Reduced monthly pension for life</li> <li>• Refund of partial contributions</li> <li>• Should the beneficiary predecease the retiree, retiree's pension converts to the appropriate Option 4 Maximum Allowance</li> </ul>	<ul style="list-style-type: none"> <li>• Receives SAME monthly benefit as retiree for life even if change in marital status occurs</li> <li>• Continued post retirement increases for life</li> <li>• NO beneficiary changes allowed even if marital status changes or beneficiary dies</li> <li>• Especially suited for beneficiary who is dependent upon retiree's pension and who has little or no other source of income</li> <li>• Beneficiary must be an individual</li> </ul>

### ***OPTION 4 (5 & 3)***

<u>Features</u>	<u>Retiree</u>	<u>Beneficiary</u>
<ul style="list-style-type: none"> <li>• Reduced monthly pension</li> <li>• Refund of non-taxable pre-1987 contributions, 50% or 75% of total contributions</li> <li>• For 50% and 75% refund option, amount in excess of pre-1987 contributions will be taxable and eligible for rollover</li> <li>• Requires wise management and investment of refund payment to supplement the monthly pension</li> <li>• 50% survivor benefit for one beneficiary</li> <li>• Reduction of retiree's benefit based on age difference between retiree and beneficiary at the time of retirement. The younger the beneficiary, the greater the reduction</li> </ul>	<ul style="list-style-type: none"> <li>• Reduced monthly pension for life</li> <li>• Refund of partial contributions</li> <li>• Higher monthly pension than Option 4 (5 &amp; 2)</li> <li>• Should the beneficiary predecease the retiree, retiree's pension converts to the appropriate Option 4 Maximum Allowance</li> </ul>	<ul style="list-style-type: none"> <li>• Receives one-half of both monthly benefit and post retirement increases for life even if change in marital status occurs</li> <li>• Continued post retirement increases for life</li> <li>• NO beneficiary changes allowed even if marital status changes or beneficiary dies</li> <li>• Especially suited for beneficiary who is not totally dependent on retiree's pension and who has other sources of income</li> <li>• Beneficiary must be an individual</li> </ul>

### OPTION COMPARISON SUMMARY

<b>Option</b>	<b>Lifetime Pension to Retiree</b>	<b>Lifetime Benefit to Beneficiary</b>	<b>“Pop Up” Feature</b>	<b>Refund of Contributions</b>	<b>Refund Amount</b>
<b>Maximum Allowance</b>	Yes	No	No	No	None
<b>Option One</b>	Yes	No	No	No	None
<b>Option Two</b>	Yes	Yes (100%)	Yes	No	None
<b>Option Three</b>	Yes	Yes (50%)	Yes	No	None
<b>Option 4 (5 &amp; Maximum)</b>	Yes	No	No	Yes	Pre-1987, 50%, or 75%
<b>Option 4 (5 &amp; 1)</b>	Yes	No	No	Yes	Pre-1987, 50%, or 75%
<b>Option 4 (5 &amp; 2)</b>	Yes	Yes (100%)	Yes	Yes	Pre-1987, 50%, or 75%
<b>Option 4 (5 &amp; 3)</b>	Yes	Yes (50%)	Yes	Yes	Pre-1987, 50%, or 75%
<b>Option 5</b>	Yes	No	No	Yes	100%

## CONTACTING THE ERS

The Employees' Retirement System (ERS) office is located at the corner of Merchant and Alakea Streets on the 14<sup>th</sup> Floor of the City Financial Tower in downtown, Honolulu. Validated parking is available in the building. The entrance to the City Financial Tower parking lot is on Richards Street.

Office hours are from 7:45 a.m. to 4:30 p.m. Monday through Friday (except Holidays).

Oahu: City Financial Tower  
201 Merchant Street, Suite 1400  
Honolulu, HI 96813  
  
Benefits Branch: (808) 586-1735  
Fax: (808)587-5766

Hawaii: 101 Aupuni Street, Suite 208  
Hilo, HI 96720  
  
974-4077, 974-4076  
or Toll-Free to Oahu @ 974-4000 Ext. 61735

Kauai: 3060 Eiwa Street, Room 302  
Lihue, HI 96766  
  
274-3010, 274-3011  
or Toll-Free to Oahu @ 274-3141 Ext. 61735

Maui: 54 S. High Street, Room 218  
Wailuku, HI 96793  
  
984-8181, 984-8282  
or Toll-Free to Oahu @ 984-2400 Ext. 61735

Molokai/Lanai Toll-Free to Oahu @ 1-800-468-4644 Ext. 61735

US Mainland Only Toll-Free to Oahu @ 1-888-659-0708

Website: <http://www4.hawaii.gov/ers>